Modelling Proactive Fraud Risk Management Practices in South Africa’s Non-governmental Organisations

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**ABSTRACT**

**Purpose:** This article empirically investigated the relationship between forensic auditing techniques fraud risk management, focusing on financial statement fraud among non-government organisations (NGOs). It aimed to determine whether forensic auditors prevent, detect, investigate, and respond to the risk of financial statement fraud among these organisations.

**Design/Methodology/Approach:** This study adopted used mixed research method. Data gathered through questionnaire and semi-structured interviews. SPSS was used descriptive statistics analysis. Robustness analysis was entirely performed using Analysis of Moment Structures for CFA were used to estimate statistical models while all the interview questions were analysed using conventional thematic analysis via NVivo 12.

**Findings:** The study’s results and findings of both the questionnaire and interviews reflected statistically significant agreement that NGOs should use proactive forensic auditing techniques in order to respond to the risks of financial statement fraud among NGOs in the eThekwini region.

**Implications/Originality/Value:** This study deepens understanding of forensic auditing as the main driver of fraud risk management among NGOs by providing field-based evidence. It also contributes to the application of critical realism, interpretivism and positivism to accounting and auditing research.

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**Introduction**

According to Alshurafat, Shbail, and Mansour (2021), forensic auditing proactively integrates accounting, criminology, computer forensics, litigation services and auditing investigative services into the investigation of a broad range of future-oriented business problems and include fraud examination, due diligence reviews, risk assessment detection of financial statement misappropriation, cyber crimes, illegal money transfers, and modeling risk. Eyisi and Ezuwore (2014) and Rahaman et al. (2023), concluded that forensic auditors have improved management
accountability, strengthened external auditor’s independence, assisted audit committee members in carrying out their oversight function by providing them assurance on internal audits and controls systems, and positively influence internal audits and controls performance.

All organisations are subject to fraud risks and financial statement fraud have led to the downfall of entire organisations, funding threats in non-government organisations (NGOs), massive investment losses, significant legal costs, incarceration of key individuals, extreme and harmful financial and reputational damage or erosion of confidence in capital markets (Esmaili Kia, Najafinia, and Oshani, 2019). Furthermore, publicised fraudulent behaviour by key senior managers and executives has negatively impacted the reputations and images of many organisations including NGOs around the globe (Nicaise, 2020; Ma and McKinnon, 2021). For instance, Ma and McKinnon (2021) found that the rate of fraudulent activities globally rose 24%. McKinnon’s (2021) findings are supported in a report by ACFE (2021) to the nations on 2021 global study on occupational fraud, in which it revealed that the rate of occupational fraud and fraudulent activities in Sub Sahara Africa rose 56%. ACFE report further found that fraudsters in South Africa increased by 44% between March 2020 and March 2021. A similar situation was witnessed globally where the Stimulus Funding Amount (SFA) was $285 billion and a significant estimated fraud amount was $28 billion (fraud rate of 10%) and 54% of NGOs do not report fraud.

NGOs industry in South Africa has become a soft target for fraudsters and the trend of donor funding abuses has been on the rise and is further confirmed by the Association of Certified Forensic Examiners (ACFE) report of the year 2019 in which it is highlighted ACFE (2019), that $61 billion dollars were lost to Frauds in NGOs (ACFE, 2016). It is, therefore, imperative for NGOs to try to reduce the chances of fraud occurring. This can be done by employing fraud risk management practices.

Extensive studies conducted by the Association of Certified Fraud Examiners (ACFE) indicate that financial statement fraud has caused more losses than other types of fraud. Such fraud prevents the users of financial reports, especially external users, from being able to properly analyse entities’ financial situation and performance. It is no secret that NGOs in the eThekwini region such as the KwaZulu-Natal Blind and Deaf Society have suffered financial difficulties (loss of more than R12 million) due to fraudulent activities which led to funders being reluctant to support them. Many NGOs have experienced a drop-in funding due to the lack of regular proactive forensic auditing practices. Funders require assurance that their donations are being spent wisely to assist the intended beneficiaries (Agere, 2019). Hence, the need for proactive forensic auditing to assist fraud prevention, detection, and investigation (Edheku & Akpoveta, 2020; Oyerogba, 2021; Utomwen & Danjuma, 2015). Moreover, fraud in general, and financial statement fraud in particular, is linked to the poor quality of financial statements which greatly diminishes NGOs’ standing (ACFE, 2019). It is clear that this high-level executive overrode the Society’s internal controls and that they were ineffective in preventing and detecting such action. This raises whether traditional controls and audit models remain effective in overseeing financial activities.

This article aimed to fill this gap by kick-starting research on forensic auditing techniques as a tool for NGOs’ financial statement fraud response. It also investigated the extent to which NGOs in the eThekwini region apply recommended financial statement fraud response practices and whether or not proactive forensic auditing techniques are adopted to respond to the risks of financial statement fraud. Anchored on the main financial statement fraud response factors, it includes applying proactive forensic auditing techniques by NGOs as a tool to respond to the risks of financial statement fraud and to move the research forward towards the development of a robust NGOs financial statement fraud practices model. It is also crucial for forensic auditors to ensure that financial statements fraud risks are eradicated or at least reduced in the NGO sector. This article
thus empirically investigated the role of forensic auditing techniques in responding to the risks of financial statement fraud among selected NGOs in the eThekwini region, focusing on the Durban central business district, (CBD) where many of the most prominent NGOs are located, to test whether or not proactive forensic audit techniques significantly respond to the risks of financial statement fraud among NGOs in the eThekwini region.

Empirical Studies
Ogunode and Dada (2022) investigated the similarities between forensic auditing and forensic accounting. Descriptive and inferential statistics were employed, and ANOVA (Analysis of Variance) was used to analyse the data, compare the level of agreement in the responses to the questionnaire and test the hypotheses. The study found that forensic audit services play a critical and significant role in the investigation and detection of fraud among entities. However, it did not test whether there is a relationship between forensic auditing/accounting and FRM factors.

Njanike, Dube, and Mashayanye (2009) interviewed 30 forensic auditors to investigate whether forensic auditing skills are useful in the prevention, detection, and investigation of bank fraud in Zimbabwe. The study found that forensic auditing and investigative skills play a major role in protecting organisations fixed and liquid assets. The authors recommend the use of forensic audit services for FRM as they enable deeper investigation of fraud and more successful litigation. However, Njanike et al. (2009) did not investigate all highly ranked financial statement fraud investigation practices and techniques that could assist in eradicating fraud risks or the main strategies that could be adopted to do so.

Golden (2011) showed that the forensic accounting profession has taken steps to close the expectation gap between the public and external auditors. The study recommends the use of forensic accounting to reduce fraudulent activities, especially in relation to financial statement fraud and notes the need to develop appropriate models to address and respond to fraud risks. However, it does not specify which fraud theory has the most significant impact on assessing these risks.

Akenbor and Ironkwe (2014) examined the relationship between forensic audits and policies in Nigeria. A structured questionnaire was employed to gather data and regression data analysis was performed. Overall, the study found that FRM policy, and fraud detection, fraud prevention, and fraud control policy within forensic audit departments should strategically guide forensic auditors in fraud detective, preventive and responsive techniques and approaches. The authors conclude that forensic audits play a significant and critical role in the FRM process. However, the study does not offer detailed analysis of proactive forensic auditing approaches to financial statement fraud investigation, but focuses on the development of a fraud risks portfolio.

Misra and Walden (2016) focused on forensic financial analysis and showed that proactive advanced forensic data analytics can be a powerful tool to prevent, detect, and investigate financial crimes and respond to the risks of fraud and other non-compliance within entities. Misra and Walden (2016) also found that proactive forensic data analytics is an essential and key component of effective FRM, particularly with respect to FRAs, and fraud prevention, detection and investigation. The authors concluded that proactive forensic audit techniques supplement the rules-based tests performed by traditional auditors. However, the results of these studies depend on participants’ perceptions rather than empirical testing. Furthermore, they did not focus on the main drivers of FRM factors, but red flags in financial statements which forensic auditors can identify. Aigienohuwa (2017) investigated the role of forensics in FRM and fraud detection techniques and established a correlation between FRM and the effectiveness of forensic auditing skills in Nigeria. The study also found that proactive forensic audits play a significant role in fraud detection,
deterrence, investigation and prosecution. However, it focuses on the banking industry and its findings may thus not be relevant to the public and NGO sectors.

Uniamikogbo’s (2019) case study found that forensic audits are a viable and critical tool in fighting fraudulent activities in Nigeria, a country where external auditors have been heavily criticised for fraud cases. Uniamikogbo (2019) identified the following fraud risk indicators: (i) unrealistic compensation packages, (ii) inadequate board oversight, (iii) unprofitable offshore operations, (iv) poor separation of duties, (v) poor computer security, (vi) inappropriate lifestyle change, and weak or poor internal controls, and (vii) over-personalised business matters. However, the study did not propose the proactive strategies recommended in the literature to tackle financial statement fraud in the NGO sector. It also failed to test the investigation factors associated with falsified financial statements as was done by Smith and Wright (2009) and did not empirically validate fraud risk factors linked to the prediction of incidents of financial statement fraud among NGOs.

Che, Hope, and Langli (2020) concluded that high quality audits which include inputs (IAAS and auditors’ characteristics), processes (well-planned), output and opinion (accurate financial statements and a quality audit opinion), and a post opinion increase the chances of detecting questionable financial reporting practices, revealing misreporting, mitigation of fraudulent activities, and the probability of detecting potential errors, fraud and misstatements in entities’ accounts. However, Che et al. (2020) did not consider the principles-based approach when addressing and responding to identified fraud risk factors so as to enhance the quality of entities’ financial reports.

Van Rooyen (2008) empirically investigated the generic process for forensic auditors in South Africa and analysed the forensic auditing process’ effect on the investigative performance and budgeting process. A questionnaire was used to gather data. The findings revealed that not only for-profit entities but also public entities should employ the services of forensic auditors as they provide irrevocable and irrefutable evidence. Although this study has implications for the production of high-quality financial reports, it is not clear whether the fraud risks arise from management fraud (financial statement fraud). Furthermore, findings’ implications for forensic investigators are not examined. Bredenkamp’s (2015) South African study concurs with Powell’s (2011) views on the relevance of lifestyle audits in forensic investigations. However, both studies are based on secondary sources and lack empirical evidence.

Akinbowale, Klingelhöfer, and Zerihun’s (2020) study concluded that South African forensic auditors require a better understanding of fraud opportunities to assist them in preventing, identifying and investigating fraud. However, the study did not consider the use of forensic auditing as a tool for effective FRM in the NGO sector or identify significant factors that influence FRM.

**Research Methodology**

This research study adopted the sequential mixed research design in gathering data, as both qualitative and quantitative data were gathered in which the quantitative preceded the qualitative method during data collection (Morgan, 1998). The population of this research study comprised eighty-seven staff (Internal auditors, forensic auditors, Managers, Accountants and bookkeepers, audit committees, Finance officers, Chief Operations officers, Chief Executive Officers, and Directors) from thirty (30) chosen NGOs. The sample (quantitative) size of roughly 87 was obtained/calculated using Raosft Software (Raosoft, 2004), while purposive or purposeful sampling was employed to select interviewees for this research study. This thesis research distributed a total of 87 anonymous online questionnaires approved by the University of KwaZulu Natal Human Social Sciences Research Ethics Committee. Data was gathered by means of mixed methods, namely an online questionnaire where a Likert scale of 1 to 5 (Where 1=Not at all, 2=...
Small Extent, 3= Moderate Extent; 4= Large Extent, 5= Very Large Extent) is used as a basis for analysis and semi-structured interviews (Zikmund, Carr, and Griffin, 2013; Pallant, 2011). A Robustness analysis was fully performed using SPSS version 27 and SEM. Analysis of Moment Structures (AMOS) software version 27 for CFA and SPSS version 27 were used to estimate statistical models (Green and Salkind, 2016; Hansen, 2005). NVivo version 12 was used to conduct a thematic analysis of the transcripts of the qualitative data. The results from the interviewees were personally transcribed by the researcher to protect interviewees ‘anonymity and the researcher ethically protected all the respondents for confidentiality and anonymity. The Data generated for this thesis was analysed with descriptive statistics and analysed data was presented in the form of figures and tables for easy understanding.

**Key Findings and Discussion of the Results of Statistical Analysis**

This study sought the respondents’ views on the extent to which they believed that proactive forensic audits can be used as responsive FRM practices. A Likert scale of 1 to 5 (Where 1 = Not at all, 2 = Small Extent, 3 = Moderate Extent; 4 = Large Extent, and 5 = Very Large Extent) was used as the basis for the analysis. The means and standard deviations for the seven questions are presented in Table below:
Table 1: Respondents’ rating and descriptive analysis of the extent to which proactive forensic audits can be used as responsive fraud risk management practices in NGOs

<table>
<thead>
<tr>
<th>Item No</th>
<th>Questionnaire Items</th>
<th>Responses</th>
<th>Total</th>
<th>Descriptive statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Very Large Extent</td>
<td>Large Extent</td>
<td>Moderate Extent</td>
</tr>
<tr>
<td>1</td>
<td>Proactive forensic audits would help in conducting lifestyle audits on NGO staff</td>
<td>60</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>69.0%</td>
<td>17.2%</td>
<td>5.7%</td>
</tr>
<tr>
<td>2</td>
<td>Proactive forensic audits would help in conducting internal investigations in the NGO</td>
<td>25</td>
<td>46</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td></td>
<td>28.7%</td>
<td>52.9%</td>
<td>18.4%</td>
</tr>
<tr>
<td>3</td>
<td>Proactive forensic audits would help management to take appropriate action</td>
<td>34</td>
<td>25</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td></td>
<td>39.1%</td>
<td>28.7%</td>
<td>31.0%</td>
</tr>
<tr>
<td>4</td>
<td>Proactive forensic audits would help to disclose the results of internal and external investigations in court</td>
<td>36</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>41.4%</td>
<td>41.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>5</td>
<td>Proactive forensic audits would help in bringing offenders to justice</td>
<td>39</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>44.8%</td>
<td>41.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>6</td>
<td>Proactive forensic audits would help in prosecuting the offender</td>
<td>53</td>
<td>23</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60.9%</td>
<td>26.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>7</td>
<td>Proactive forensic audits would help in identifying prejudice and stolen funds and assets</td>
<td>64</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>73.6%</td>
<td>18.4%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

Source: Online Survey (2021), SPSS Version
The table 1 shows that the findings are in line with Tanim’s (2016) study that calculated means and standard deviations, respectively, of 4.01 and .812; 4.15 and .764; 4.85 and .787; .4.04 and 4.08; 4.93 and .996; 4.28 and .841; and 4.87 and .957 for questionnaire items 2, 3, 4, 5, 6 and 7. However, they contradict Eyisi (2014) and Utomwen (2015) whose studies on forensic auditors’ fraud risk responsiveness indicated insignificant agreement in the Kenyan financial sector. Previous studies that support the findings include Boateng (2014); Saidu (2015), and Mehta and Bhavani, (2017).

This result is in consonance with the findings of Ryoba’s (2006) study in Tanzania and Koh and Arokiasamy’s (2009) in Malaysia. Ryoba (2006) calculated frequency distributions and percentages, respectively, of 30 (28.6%); 40 (47.6%); 18 (23.8%); 36 (42.9%); 7 (33.3%); 44 (52.40) and 27 (42.90) for questionnaire items 1, 2, 3, 4, 5, 6, and 7. For their part, Koh and Arokiasamy (2009) found 40 (38.10%); 45 (44.20%); 25 (23.80%); 35 (33.30%); 24 (38.10%); 32 (58.10%); and 53 (68.41%) as frequency distributions and percentages for questionnaire items 3, 1, 4, 6, 5, 7, and 2, respectively. These are very similar to the results of the current study, where the respondents rated proactive forensic auditing techniques as either most significant or significant to a very large extent (64 (73.6%). This points to a link between proactive forensic auditing techniques and proactive responses to fraud risks. It implies that increased proactive forensic auditing leads to an increase in proactive responses to financial statement fraud and other fraudulent activities among NGOs in eThekwini region.
Analysis of Interview Data
The theme of this article is responsive FRM. Table 2 below shows the frequency distribution of the respondents’ views on how proactive forensic techniques can respond to the risks of financial statement fraud and other fraudulent activities in NGOs.

Table 2: Frequency distribution of respondents’ views with regard to proactive forensic auditing to respond to the risks of financial statement fraud

<table>
<thead>
<tr>
<th>Item No</th>
<th>Techniques</th>
<th>Frequency</th>
<th>Citations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proactive forensic audit techniques help in recovering stolen funds</td>
<td>10</td>
<td>96%</td>
</tr>
<tr>
<td>2</td>
<td>Proactive forensic audit techniques help in performing electronic evidence recovery</td>
<td>10</td>
<td>96%</td>
</tr>
<tr>
<td>3</td>
<td>Proactive forensic audit techniques help in probing suspect financial transactions</td>
<td>9</td>
<td>94%</td>
</tr>
<tr>
<td>4</td>
<td>Proactive forensic audit techniques help in investigating alleged fraud</td>
<td>9</td>
<td>94%</td>
</tr>
<tr>
<td>5</td>
<td>Forensic experts assist in recovering stolen assets</td>
<td>9</td>
<td>94%</td>
</tr>
<tr>
<td>6</td>
<td>Proactive forensic audit techniques assist in prosecuting offenders</td>
<td>8</td>
<td>82%</td>
</tr>
<tr>
<td>7</td>
<td>Proactive forensic audit techniques assist in responding to the risks of cybercrimes, and computer fraud</td>
<td>8</td>
<td>82%</td>
</tr>
<tr>
<td>8</td>
<td>Forensic experts greatly assist in responding to the risks of financial statement fraud and other fraudulent activities</td>
<td>7</td>
<td>79%</td>
</tr>
<tr>
<td>9</td>
<td>Proactive forensic audit techniques assist in investigating fraudulent activities</td>
<td>7</td>
<td>79%</td>
</tr>
<tr>
<td>10</td>
<td>Proactive forensic audit techniques assist in addressing the weaknesses of internal controls</td>
<td>6</td>
<td>68%</td>
</tr>
<tr>
<td>11</td>
<td>Proactive forensic audit techniques assist in discovering electronic evidence</td>
<td>6</td>
<td>68%</td>
</tr>
<tr>
<td>12</td>
<td>Proactive forensic audit techniques help in addressing governance weaknesses</td>
<td>6</td>
<td>68%</td>
</tr>
<tr>
<td>13</td>
<td>Proactive forensic audit techniques</td>
<td>5</td>
<td>52%</td>
</tr>
<tr>
<td>14</td>
<td>Forensic technology solutions for the discovery of electronic evidence are absolutely essential</td>
<td>5</td>
<td>52%</td>
</tr>
<tr>
<td>15</td>
<td>Proactive forensic audit techniques help in conducting surprise forensic investigation to find out where money went</td>
<td>5</td>
<td>52%</td>
</tr>
<tr>
<td>16</td>
<td>Proactive forensic audit techniques help in disclosing the results of forensic investigations</td>
<td>5</td>
<td>52%</td>
</tr>
<tr>
<td>17</td>
<td>Proactive forensic audit techniques help in remedying the inconvenience (harm) caused</td>
<td>5</td>
<td>52%</td>
</tr>
<tr>
<td>18</td>
<td>Proactive forensic audit techniques assist in criminal proceedings</td>
<td>4</td>
<td>45%</td>
</tr>
<tr>
<td>19</td>
<td>Proactive forensic audit techniques assist in civil proceedings</td>
<td>4</td>
<td>45%</td>
</tr>
<tr>
<td>20</td>
<td>Forensic experts testify a tribunal and liquidation proceedings</td>
<td>4</td>
<td>45%</td>
</tr>
<tr>
<td>21</td>
<td>Proactive forensic audit techniques could help in responding to the risks of financial statement fraud and other fraudulent activities</td>
<td>4</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Virtual interviews (2021), NVivo version 12
That above findings support those of Amah (2018), Othman (2019), and Okoye et al. (2019) who found that proactive forensic auditing techniques can be used to a very large extent to ensure that aggressive internal control systems, strong governance systems, audit committees, effective internal audits, external audits (rule-based or statutory audits), sound policies and financial management are in place and to eradicate or at least reduce the risks of fraud. The findings also support previous studies that concluded that proactive forensic auditing is the most significant and relevant tool to critically respond to the risks of fraud in general and financial statement fraud in particular (Njanike, Dube, and Mashayanye, 2009; Enofe, 2015; Misra and Walden, 2016; Akenbor, 2014; Aigienohuwa, 2017). Views that were expressed seven or eight times included that proactive forensic audit techniques could be used to assist NGOs in responding to the risks of financial statement fraud and other fraudulent activities. These results from the virtual interviews corroborate those from the analysis of the data from the questionnaire survey discussed above.
Discussion of the Results
In general, it supports the results of Pagano (2005) and Ansari’s (2005) studies that found that proactive forensic auditing is a major tool to respond to the risks of fraud in banks and for easy detection of fraudulent practices in the public sector.

The research results corroborate those of Tanim (2016) who found 4.01 and .812, 4.15 and .764, 4.85 and .787, .4.04 and 4.08, 4.93 and .996, 4.28 and .841, and 4.87 and .957 as means and
standard deviations for items 2, 3, 4, 5, 6 and 7 of the questionnaires, respectively. However, they contradict Eyisi (2014) and Utomwen’s (2015) studies that found an insignificant relationship between forensic auditing and responsive FRM in the Kenyan financial sector.

The findings concur with those of Ryoba’s (2006) study in Tanzania and Koh and Arokiasamy’s (2009) in Malaysia. Ryoba (2006) found 30 (28.6%); 40 (47.6%); 18 (23.8%); 36 (42.9%); 7 (33.3%); 44 (52.40) and 27 (42.90) as frequency percentages for questionnaire items 1, 2, 3, 4, 5, 6, and 7, respectively. For their part, Koh and Arokiasamy (2009) found 40 (38,10%); 45 (44,20%); 25 (23,80%); 35 (33.30%); 24 (38,10%); 32 (58,10%) and 53 (68,41%) as frequency percentages for questionnaire items 3, 1, 4, 6, 5, 7 and 2, respectively. These are very similar percentages to the number of respondents who rated proactive forensic auditing techniques as either most significant or significant to a very large extent 64 (73.6%). This suggests a link between proactive forensic auditing techniques and proactive responses to the risks of fraud. It implies that an increase in proactive forensic auditing leads to an increase in responsiveness to the risks of financial and economic crimes and financial statement fraud among NGOs in the eThekwini region.

The study’s results also support studies that found that forensic auditors are not only deeply involved in preventing, detecting or identifying fraud, but generally engage in a much wider variety of FRM engagements (Aiken, 2016; Walden, 2016; Knežević, 2015; Gillespie, 2014; Geldenhuys, 2016; Kapardis and Courakis, 2017). However, they contradict Okoye (2019) who argued that NGOs cannot copy and paste large for-profit entities and public sector entities’ forensic investigation systems.

The findings from the interviews confirmed the results from the questionnaire in this area. However, the extant literature notes that the higher costs associated with forensic services, arrests, trials, convictions, and reputational risk for the entity concerned render forensic audits unaffordable for many NGOs (Peter et al., 2014). Nonetheless, Amin and Harris (2017) assert that any NGO that believes that fraud will never occur against it is in for a shock and Hay (2017) states that directors should recognise that some NGO employees are not perfect executors of their duties. Thus, forensic audits should not be regarded as an expensive luxury.

**Contribution to the Existing Body of Knowledge in the Field**

This research study is one of the few that have attempted to empirically investigate the phenomenon of forensic auditing and financial statement fraud response practices NGOs in a developed country (Makwetu, 2019). Generally, there have been calls for more studies in this area and this article responded to these calls. It thus adds to current understanding of financial statement fraud risk factors and indicators that, arguably, drive financial statement fraud risk response practices in the NGO sector.

Many scholars, researchers and professionals such as Ezuwore (2014), Udukeke and Ezenwafor (2019) and Abbas (2020) have published articles on forensic auditing, fraud theories, fraudulent financial statements, red flags in financial reports and financial forensics. The current study adds to their work by identifying proactive forensic auditing skills, tools, and techniques that are essential for responding to the risks of financial statement fraud in NGOs.

The well-known fraud theory used by ISA 240, namely, the fraud triangle has been criticised as ineffective in identifying and responding to the risks of financial statement fraud because it excludes the fraudster’s capability and competency, personal integrity and lack of conscience, as well as corporate governance.

The findings point to the critical fraud risk factors that auditors and forensic auditors should consider. The article thus contributes to the literature on fraud risk factors and fraud risk indicators,
and provides a model and empirically tests a theory that describes the relationship between proactive forensic auditing and financial statement fraud risk response practices in NGOs in eThekwini region. This article makes three methodological contributions. It contributes to the critical realist philosophy in accounting and auditing, and accommodates interpretivism and positivism in these fields. The study expands knowledge of FRM using a more robust scientific research methodology (SEM). It also demonstrates the relevance of critical accounting and auditing research in the South African NGO sector. The practical application of the proposed model is expected to empower NGOs and their stakeholders to manage the risks of financial statement fraud.

Based on the study’s results, it is suggested that NGOs in the eThekwini region revisit their current FRM practices and compare them with the study’s recommendations. Should any gaps be found in their current financial statement fraud risk response practices, their boards should consider implementing the recommendations. It is hoped that the practical application of this knowledge will have a positive effect on the NGO community.

**Implications of the Research Findings**

The study established a positive and significant relationship between proactive forensic auditing and the main drivers of fraudulent practices to respond to fraud risks by taking action when it occurs (proactive responsive fraud risk factors). This implies that there is a need for NGOs in the eThekwini region to explore how they could use proactive forensic auditing techniques to enhance financial statement fraud response practices in their entities. Furthermore, the adoption of an effective financial statement fraud response practices model will enhance NGO’s credibility, enabling them to attract more funders and donors. The study also found that proactive forensic audits are an essential tool that enhances NGOs’ financial statement fraud response practices and thus reduces or eliminates fraudulent activities. This implies that NGOs’ boards should take greater responsibility for managing fraud risks by establishing proactive fraud response measures that will enable them to attract more funding and expand their activities. The study’s findings highlight the need for funders and donors to encourage the NGOs they support to embrace effective financial statement fraud response practices in order to create a fraud-free environment and secure donor support.

Forensic auditors go beyond rules-based principles and focus on principle- and transaction-based investigations, which are critical for effective financial statement fraud response practices. This implies that there is a need for external auditors to embrace proactive forensic auditing techniques as part of their daily duties. Regulators that set auditing standards should integrate and regulate forensic auditing principles in order to harmonise auditing standards and principles. This would make forensic auditing mandatory for any legal entity. This article has added to the body of knowledge on financial statement fraud response practices using more robust scientific methodologies. It has thus enriched the knowledge base on the topical issue of proactive financial statement fraud response measures that should be considered in the accounting and auditing disciplines. The South Africa Institute of Charted Accountants (SAICA) should encourage formalisation and specialisation in the field of forensic auditing in curricula and higher education institutions should emphasise skills development in the field of forensic auditing through teaching and research.

**Conclusion and Suggestions for Further Research**

The research objective was: To test whether or not proactive forensic audit techniques can significantly respond to the risks of financial statement fraud among NGOs in eThekwini region. The statistical analysis on the extent to which proactive forensic audits can be used as a tool to respond to the risks of financial statement fraud among NGOs in the eThekwini region established a statistically significant relationship between the use of all the forensic techniques and responding to the risks of financial statement fraud and other fraudulent activities. The respondents were in significant agreement that proactive forensic audits can be used to respond to the risks of financial
statement fraud in NGOs as the means of all the responses were above 4 and the variations among them were low, with the highest at 0.926, depicting consensus. There was thus sufficient statistical significance to show the relevance of proactive forensic auditing techniques in responsive FRM. Hence, to a very large extent, the use of surprise forensic audit techniques enhances the chances of quickly responding to the risks of fraud. The analysis of the interview data reached the same conclusion. The frequency distribution of the responses to the open-ended questions indicates that all the respondents confirmed that proactive forensic audit techniques will lead to a strategic fraud response process among NGOs in eThekwini region.

This study identified gaps in the literature and many of the theories and principles discussed could thus form the basis for further academic studies. Given the fact that this study was confined to 30 NGOs in the eThekwini region, KwaZulu-Natal, it is recommended that future research involve a variety of case studies in different districts and provinces in South Africa in order to compare the findings. This would produce results that are capable of greater generalisation. Similar studies could also be conducted in other countries.

The study offers various suggestions with regard to the steps NGO management should take to manage fraud risks; this could also be the subject of further research. Future studies could explore if the proposed theory could help forensic auditors to effectively assess, prevent, identify, detect, and respond to the risks of financial statement fraud. Finally, scholars and researchers in the field of auditing that conduct further research could use this study as a point of reference, as it could serve as a stepping stone towards finding sustainable solutions to fraud risks in the NGO sector and beyond.

Declaration of Interest
The author reports no conflicts of interest regarding this piece of research paper. Only the author is responsible for the content and writing of this paper. Therefore, I have no conflicts of interests to disclose. Additionally, I wish to confirm that a manuscript entitled "Modelling proactive fraud risk management practices in South Africa’s non-governmental organisations " submitted to "Journal of Accounting and Finance in Emerging Economies" Journal is original and has not been published elsewhere, nor is it currently under editorial review for publication elsewhere.

Note: I would like to clarify that the article has never been published before, The paper was extracted out of the Dr Jean Damascene PhD’s thesis, which he submitted to the University of KwaZulu-Natal and his is the sole author of this paper.

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